

Unaudited condensed interim consolidated financial statements
of

Hampton Financial Corporation

For the three and six months ended February 28, 2025 and
February 29, 2024

(Expressed in thousands of Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the interim financial statements have not been reviewed by an auditor.

The accompanying unaudited condensed interim consolidated financial statements have been prepared by and are the responsibility of the management.

The Company's independent auditor has not performed a review of these condensed interim consolidated financial statements in accordance with the standards established by the Chartered Professional Accountants of Canada for a review of interim financial statements by an entity's auditor.

Hampton Financial Corporation
Condensed Interim Consolidated Statements of Financial Position
(Unaudited – expressed in thousands of Canadian dollars)

| As at | 28-Feb-25 | 31-Aug-24 |
|--|------------------|------------------|
| | \$ | \$ |
| Assets | | |
| Current assets | | |
| Cash | 658 | 2,222 |
| Securities owned (Note 6) | 1,332 | 1,039 |
| Accounts receivable (Notes 7, 10) | 5,894 | 9,897 |
| Due from carrying broker (Note 8) | 521 | 370 |
| Prepaid expenses and deposits | 907 | 790 |
| Receivable from shareholder (Note 10) | 289 | 289 |
| Brokers and dealers trading balances | 51 | 29 |
| | 9,652 | 14,636 |
| Deferred tax asset (Note 20) | 1,262 | 1,282 |
| Right of use assets (Note 21) | 1,015 | 1,091 |
| Deposit with carrying broker (Note 8) | 1,119 | 1,394 |
| Advisor loans (Note 10) | 32 | 43 |
| Loans receivable (Note 12) | 3,360 | 4,540 |
| Receivable from shareholder (Note 10) | 2,131 | 2,275 |
| Other receivables | 621 | 350 |
| Intangible asset (Notes 5, 13) | 59 | 414 |
| Goodwill (Notes 5, 14) | 7,016 | 7,016 |
| | 26,267 | 33,041 |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities | 1,876 | 1,301 |
| Legal provision (Note 9) | 175 | 175 |
| Due to carrying broker (Note 8) | 2 | 8 |
| Lease liability - current (Note 21) | 165 | 158 |
| Brokers and dealers trading balances | 51 | 29 |
| Debentures (Note 18) | 3,000 | 2,000 |
| | 5,269 | 3,671 |
| Long-term debt (Note 15) | 6,046 | 12,182 |
| Lease Liability (Note 21) | 1,289 | 1,373 |
| Debentures (Note 18) | 9,164 | 9,459 |
| | 21,768 | 26,685 |
| Contingencies (Note 25) | | |
| Subsequent Events (Note 26) | | |
| Shareholders' equity | | |
| Equity attributable to owners of the parent | | |
| Capital stock (Note 16) | 26,952 | 26,773 |
| Options reserve and long term incentive plan (Note 17) | 1,710 | 1,641 |
| Warrants reserve (Note 17) | 251 | 253 |
| Convertible debenture reserve (Note 18) | 160 | 192 |
| Accumulated other comprehensive income | 34 | 34 |
| Contributed surplus | 2,227 | 2,187 |
| Deficit | (27,745) | (25,634) |
| | 3,589 | 5,446 |
| Non-controlling interests (Note 5) | 910 | 910 |
| | 4,499 | 6,356 |
| | 26,267 | 33,041 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

These consolidated financial statements were approved for issue by the Board of Directors and signed on its behalf by:

Peter Deeb

William Thomson

Hampton Financial Corporation

Condensed Interim Consolidated Statements of Loss and Comprehensive Loss
 Three and six months ended February 28, 2025 and February 29, 2024
 (Unaudited – expressed in thousands of Canadian dollars, except loss per share)

| | Three months ended February 28, 2025 | Three months ended February 29, 2024 | Six months ended February 28, 2025 | Six months ended February 29, 2024 |
|--|--|--|--|--|
| | \$ | \$ | \$ | \$ |
| Revenues | | | | |
| Commissions | 1,013 | 818 | 2,030 | 1,639 |
| Principal transactions | 685 | (17) | 658 | (106) |
| Asset-based fees | 260 | 325 | 523 | 624 |
| Corporate finance | 88 | 263 | 319 | 464 |
| Other income | 87 | 59 | 198 | 117 |
| Interest and dividends | 285 | 365 | 552 | 818 |
| Factoring revenue | 436 | - | 1,706 | - |
| Insurance proceeds | - | 51 | - | 51 |
| | 2,854 | 1,864 | 5,986 | 3,607 |
| Expenses | | | | |
| General and administrative | 1,235 | 981 | 2,444 | 1,867 |
| Commission and other variable compensation | 724 | 474 | 1,670 | 787 |
| Other compensation and benefits | 806 | 739 | 1,629 | 1,439 |
| Interest | 503 | 274 | 1,209 | 553 |
| Trade execution charges | 138 | 71 | 263 | 164 |
| Provision for bad debts | 641 | - | 431 | - |
| Loss on disposition of asset | - | 40 | - | 40 |
| Amortization and depreciation (Notes 11, 13, 21) | 216 | 38 | 431 | 79 |
| | 4,263 | 2,617 | 8,077 | 4,929 |
| Loss before income taxes | (1,409) | (753) | (2,091) | (1,322) |
| Income tax expense (recovery) (Note 20) | (97) | (2) | 20 | (8) |
| Net loss for the period | (1,312) | (751) | (2,111) | (1,314) |
| Other comprehensive income | - | - | - | 1 |
| Comprehensive loss for the period | (1,312) | (751) | (2,111) | (1,313) |
| Loss per share - (Note 19) | | | | |
| Basic | (0.02) | (0.02) | (0.04) | (0.04) |
| Diluted | (0.02) | (0.01) | (0.03) | (0.02) |
| Weighted average number of shares outstanding - | | | | |
| Basic | 53,532,676 | 31,288,305 | 53,523,835 | 31,172,993 |
| Diluted | 70,872,676 | 50,994,972 | 70,863,835 | 50,879,659 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Hampton Financial Corporation

Condensed Interim Consolidated Statements of Changes in Shareholders' Equity (Deficiency)

Three and six months ended February 28, 2025 and February 29, 2024

(Unaudited – expressed in thousands of Canadian dollars)

| | Capital stock | Accumulated other comprehensive income | Options and long-term incentive plan | Warrant reserve | Convertible debenture equity component | Contributed surplus | Deficit | Non-controlling interests | Shareholders' equity (deficiency) |
|---|---------------|--|--------------------------------------|-----------------|--|---------------------|-----------------|---------------------------|-----------------------------------|
| | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| Balance at August 31, 2023 | 15,330 | 34 | 1,641 | 253 | 76 | 2,257 | (22,894) | | (3,303) |
| Private placement share unit issuance (Note 16) | 350 | - | - | - | - | - | - | - | 350 |
| Convertible debenture issuance (Note 18) | - | - | - | - | 116 | - | - | - | 116 |
| Comprehensive loss | - | 1 | - | - | - | - | (1,314) | - | (1,313) |
| Balance at February 29, 2024 | 15,680 | 35 | 1,641 | 253 | 192 | 2,257 | (24,208) | - | (4,150) |
| Balance at August 31, 2024 | 26,773 | 34 | 1,641 | 253 | 192 | 2,187 | (25,634) | 910 | 6,356 |
| Warrant expiry (Note 17) | - | - | - | (2) | - | 2 | - | - | (2) |
| Private placement share unit issuance (Note 16) | 179 | - | - | - | - | - | - | - | 179 |
| Convertible debenture issuance (Note 18) | - | - | - | - | 6 | - | - | - | 6 |
| Convertible debenture redemption (Note 18) | - | - | - | - | (38) | 38 | - | - | - |
| Options issuance (Note 17) | - | - | 69 | - | - | - | - | - | 69 |
| Comprehensive loss | - | - | - | - | - | - | (2,111) | - | (2,111) |
| Shareholders' equity attributable to owners of the parent | 179 | - | 69 | (2) | (32) | 40 | (2,111) | - | 3,587 |
| Non-controlling interests (Note 5) | - | - | - | - | - | - | - | 910 | 910 |
| Balance at February 28, 2025 | 26,952 | 34 | 1,710 | 251 | 160 | 2,227 | (27,745) | 910 | 4,497 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Hampton Financial Corporation

Condensed Interim Consolidated Statements of Cash Flows
Six months ended February 28, 2025 and February 29, 2024
(Unaudited – expressed in thousands of Canadian dollars)

| | 2025 | 2024 |
|--|----------------|--------------|
| | \$ | \$ |
| Operating activities | | |
| Net loss | (2,111) | (1,314) |
| Items not affecting cash and operating activities: | | |
| Amortization - intangible asset (Note 13) | 355 | - |
| Depreciation - right of use assets (Note 21) | 76 | 76 |
| Depreciation - property, plant and equipment (Note 11) | - | 3 |
| Income tax expense (recovery) (Note 20) | 20 | (8) |
| Share-based compensation (Note 17) | 69 | - |
| Loss on disposition of asset (Note 11) | - | 40 |
| Insurance proceeds (Note 11) | - | (51) |
| Unrealized (gain) loss on marketable securities | (344) | 36 |
| Interest income on shareholder loan (Note 10) | - | (20) |
| Amortization of forgivable loan (Note 10) | 145 | 81 |
| Interest accretion on debentures (Note 18) | 684 | 555 |
| Lease interest (Note 21) | 67 | 73 |
| Net changes in non-cash operating accounts: | | |
| Securities owned (Note 6) | 51 | 64 |
| Accounts receivable (Notes 7, 10) | 4,003 | 328 |
| Due from carrying broker (Note 8) | (151) | (166) |
| Deposit with carrying broker (Note 8) | 275 | 670 |
| Loans receivable (Note 12) | 1,180 | - |
| Advisor loans (Note 10) | 11 | 48 |
| Other receivables | (271) | (360) |
| Prepaid expenses and deposits | (117) | (123) |
| Accounts payable and accrued liabilities | 574 | 85 |
| Due to carrying broker (Note 8) | (6) | (29) |
| Cash provided by (used in) operating activities | 4,510 | (12) |
| Financing activities | | |
| Debt redemption (Note 18) | (2,175) | - |
| Proceeds from issuance of non-convertible debenture (Note 18) | 2,000 | - |
| Proceeds from issuance of convertible debenture, net of cash issuance cost (Note 18) | 770 | 1,000 |
| Repayment of long-term debt (Note 15) | (6,136) | - |
| Payment of interest on debentures (Note 18) | (568) | (491) |
| Lease payments (Note 21) | (144) | (145) |
| Capital stock issued (Note 16) | 179 | 350 |
| Cash provided by (used in) financing activities | (6,074) | 714 |
| Investing activities | | |
| Insurance proceeds (Note 11) | - | 51 |
| Cash provided by investing activities | - | 51 |
| Increase (decrease) in cash during the period | (1,564) | 753 |
| Effect of foreign exchange rates on cash and cash equivalents | - | 1 |
| Cash, beginning of year | 2,222 | 504 |
| Cash, end of year | 658 | 1,258 |

The accompanying notes are an integral part of these unaudited condensed interim consolidated financial statements.

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

1. Nature of Business

Hampton Financial Corporation (the “Company” or “HFC”) is a publicly traded Company listed on the TSX Venture Exchange. The Company is a management and holding company with its principal operating subsidiary being Hampton Securities Limited, a registered investment dealer, providing investment advisory and brokerage services.

The address of the Company’s registered head office is 141 Adelaide Street West, Suite 1800, Toronto, Ontario. The Company is controlled by Deeb & Company Limited (the “Parent Company”). The Parent Company is controlled by Peter M. Deeb, a director and officer of the Company.

The consolidated financial statements of Hampton Financial Corporation include 100% of the following entities:

- Hampton Equity Partners Limited (“HEPL”), holding company;
- Hampton Securities Incorporated (“HSI”), holding company;
- Hampton Securities Limited (“HSL”), HSL is a member of the Canadian Investment Regulatory Organization (“CIRO”) and the Canadian Investor Protection Fund (“CIPF”). HSL is registered as a Type 2 Introducing Broker for securities regulatory purposes;
- Hampton Securities Corporation (“HSC”),
- Hampton Securities (USA), Inc., currently inactive;
- Hampton Realty Partners Limited (“HRPL”), currently inactive;
- Hampton Insurance Brokers Inc. (“Hampton Insurance”), registered as a corporate insurance agent with the Financial Services Commission of Ontario;
- Hampton Insurance Solutions Inc. (“HIS”), currently inactive; and,
- Oxygen Working Capital Corp. (“OWCC”), a specialized lender focused on the commercial factoring business (see Note 5)

All the Company’s subsidiaries are domiciled in Canada except for Hampton Securities (USA) Inc. and Hampton Securities Corporation which are domiciled in USA. All companies share the same accounting policies as the Company. All the Company’s subsidiaries share the same fiscal year end, except Hampton Securities Corporation, which has a December 31 year end.

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

2. Basis of Preparation

These unaudited condensed interim consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. These unaudited condensed interim consolidated financial statements do not include any adjustments to the amounts and classification of assets and liabilities that would be necessary should the Company be unable to continue as a going concern. Such adjustments could be material.

These unaudited condensed interim consolidated financial statements do not include all the information required of full annual consolidated financial statements and are intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that these unaudited condensed interim consolidated financial statements be read in conjunction with the audited consolidated financial statements of the Company for the year ended August 31, 2024.

Statement of Compliance

These unaudited condensed interim consolidated financial statements of the Company have been prepared in accordance with the International Accounting Standard 34, *Interim Financial Reporting* ("IAS 34") and do not include all the information required for full annual consolidated financial statements. The Board of Directors approved the unaudited condensed interim consolidated financial statements on April 28, 2025.

Basis of Consolidation

These unaudited condensed interim consolidated financial statements include the accounts of the Company and the accounts of its wholly owned subsidiaries. Intercompany transactions and balances have been eliminated upon consolidation.

Basis of Measurement, Functional and Presentation Currency

These unaudited condensed interim consolidated financial statements have been prepared on the historical cost basis, except for securities owned and sold short which are carried at fair value through profit or loss.

These unaudited condensed interim consolidated financial statements are presented in Canadian dollars. The functional currency of the Company and its subsidiaries except for Hampton Securities (USA), Inc. and Hampton Securities Corporation is Canadian dollars. The functional currency of Hampton Securities (USA), Inc. and Hampton Securities Corporation is United States ("US") dollars.

Critical Estimates and Judgments

The preparation of these unaudited condensed interim consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenue and expenses. Actual results may differ from these estimates.

These estimates and judgments are consistent with those disclosed in the Company's audited consolidated financial statements for the years ended August 31, 2024 and 2023.

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

3. Material Accounting Policy Information

The significant accounting policies used in preparing these unaudited condensed interim consolidated financial statements are unchanged from those disclosed in the Company's audited consolidated financial statements for the years ended August 31, 2024 and 2023, and have been applied consistently to all periods presented in these unaudited condensed interim consolidated financial statements.

4. New Standards, Interpretations, and Amendments Not Yet Effective

The following IFRS standards are issued but not yet effective. The Company has not yet assessed the impact of these standards on its consolidated financial statements.

Annual Improvements to IFRS Accounting Standards – Volume 11

Issued in July 2024 and effective for periods beginning on or after January 1, 2026, are the following amendments to existing IFRS standards:

- Amendments to IFRS 1, *First-time Adoption of International Financial Reporting Standards*
- Amendments to IFRS 7, *Financial Instruments: Disclosures*
- Amendments to IFRS 9: *Financial Instruments*
- Amendments to IFRS 10, *Consolidated Financial Statements*
- Amendments to IAS 7, *Statement of Cash Flows*

IFRS 18, *Presentation and Disclosure in the Financial Statements* ("IFRS 18")

Issued in April 2024, IFRS 18 replaces IAS 1, *Presentation of Financial Statements*. IFRS 18 will introduce categories and defined subtotals in the statement of profit or loss, among other requirements to improve aggregation and disaggregation that aim to make financial statements more comparable across entities. IFRS 18 is effective for annual periods beginning on or after January 1, 2027. Early application is permitted.

IFRS 19, *Subsidiaries without Public Accountability: Disclosures* ("IFRS 19")

Issued in April 2024, IFRS 19 permits a subsidiary to provide reduced disclosures when applying IFRS. IFRS 19 is optional for subsidiaries that are eligible and sets out the disclosure requirements for subsidiaries that elect to apply it. IFRS 19 is effective for reporting periods beginning on or after January 1, 2027. Early application is permitted.

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

5. Acquisition of Oxygen Working Capital Corp.

On April 1, 2024, the Company acquired 100% of the issued and outstanding common shares of Oxygen Working Capital Corp. ("OWCC"), a specialized lender focused on the commercial factoring business with clients across Canada. As consideration for the acquisition, the Company issued to the shareholders of OWCC 21,755,071 subordinate voting shares of the Company with a fair value of \$11,095. The fair value of subordinate voting shares was measured using the Company's closing share price on April 1, 2024. The Company began consolidating the operating results, cash flows and net assets of OWCC from April 1, 2024, onwards.

The transaction was accounted for as a business combination using the acquisition method of accounting under the provision of IFRS 3, *Business Combination*, as the operations of OWCC meet the definition of a business. As the transaction was accounted for as a business combination, transaction costs were expensed, except the costs incurred in connection with issuance of shares which were offset against the value of the shares issued (see Note 16). The net assets acquired, and liabilities assumed were recorded at fair value.

On March 31, 2024, OWCC issued 5,438,776 warrants, each such warrant entitling the holder thereof to purchase one common share of OWCC at the price of \$0.50 per share for a period of 60 months following the date of grant. The warrants may be exercised by the warrant holders on the earlier of the following: 1) upon OWCC completing one or more private placements or public offerings with aggregate gross proceeds of no less than \$5,000 and a per share issue price of no less than \$0.50; and 2) three years from the date of grant. If all of the OWCC's warrants are exercised, the Company will own a fully diluted 80% equity stake in OWCC. The OWCC warrants have been determined to be part of the exchange in the business combination and therefore, included in applying the acquisition method under the provision of IFRS 3. As the warrant contract will be settled by OWCC by delivering a fixed number of its own equity instruments in exchange for a fixed exercise price, it is classified as an equity instrument, under the provision of IAS 32, *Financial Instruments: Presentation*. As an equity in the subsidiary not attributable, directly or indirectly, to a parent, it meets the definition of non-controlling interests under the provision of IFRS 3 and is presented on the consolidated financial statements as such. Non-controlling interests are measured at fair value upon initial recognition as part of a business combination transaction, according to IFRS 13 *Fair Value Measurement*, and are subsequently accounted for under provision of IFRS 10 *Consolidated Financial Statements*. See Note 17 for the OWCC warrants' fair value discussion.

The goodwill resulting from the allocation of the purchase price to the total fair value of the net assets represents the sales and growth potential of OWCC.

Hampton Financial Corporation
Notes to the Unaudited Condensed Interim Consolidated Financial Statements
February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

5. Acquisition of Oxygen Working Capital Corp. (continued)

At acquisition date on April 1, 2024, the Company has allocated the purchase price as follows:

| | |
|---|-----------------|
| Consideration | |
| Equity consideration (21,755,071 subordinate voting shares) | \$11,095 |
| Total consideration, at fair value | 11,095 |
| Non-controlling interests, at fair value | 910 |
| Aggregate of consideration and non-controlling interest | 12,005 |
| Identifiable assets acquired, net of liabilities assumed | |
| Cash and cash equivalents | 316 |
| Accounts receivable | 8,554 |
| Loans receivable | 4,487 |
| Deferred tax asset | 954 |
| Accounts payable and accruals | (378) |
| Loan payable | (9,654) |
| Intangible asset | 710 |
| Net assets acquired, at fair value | 4,989 |
| Goodwill | \$ 7,016 |

At acquisition date, the fair value of the acquired accounts receivable was \$8,554, the gross contractual amount receivable was \$10,350 and the best estimate of the contractual cash flows not expected to be collected represented by an allowance for ECL was \$1,796.

At acquisition date, the fair value of the acquired loans receivable was \$4,487, the gross contractual amounts receivable was \$6,814 and the best estimate of the contractual cash flows not expected to be collected represented by an allowance for ECL was \$2,327.

The goodwill generated as a result of this acquisition relates to other intangible assets such as assembled workforce and synergies that did not qualify for separate recognition. No goodwill for OWCC acquisition is expected to be deductible for tax purposes.

The intangible asset acquired is comprised of the customer relationships of \$710 which represent the future revenue streams to be derived from the existing customer relationships established by OWCC. The fair value of the customer relationships was determined using a discounted cash flow analysis with the following assumptions: discount rate – 20%, % revenue associated – 84%, life of the intangible asset – 1 year, income tax rate – 26.5%, tax amortization rate – 5%.

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

6. Securities Owned

The Company's securities owned, at fair value, comprised the following:

| | <u>28-Feb-25</u> | <u>31-Aug-24</u> |
|-------------------------------------|------------------|------------------|
| Securities owned: | | |
| Equity securities – Publicly traded | \$ 1 | \$ 1 |
| Equity securities – Private | 357 | 336 |
| Debt securities – Publicly traded | 2 | 11 |
| Debt securities - Private | - | 43 |
| Broker warrants - Public | 534 | 138 |
| Broker warrants – Private | 438 | 510 |
| | <u>\$ 1,332</u> | <u>\$ 1,039</u> |

The Company's securities sold short, at fair value, as at February 28, 2025 was \$nil (August 31, 2024 - \$nil).

During the three and six months ended February 28, 2025, the Company utilized a margin loan facility of \$nil (August 31, 2024 - \$nil) from the carrying broker to purchase investments. The margin loan bears interest at Laurentian Bank Securities Inc.'s prime rate, which as at February 28, 2025 was 2.99% (August 31, 2024 – 4.52%) per annum and is payable on demand.

7. Accounts Receivable

The following table summarizes the composition of the Company's accounts receivable:

| | <u>28-Feb-25</u> | <u>31-Aug-24</u> |
|---|------------------|------------------|
| Trade and other accounts receivable | \$ 460 | \$ 346 |
| Advisor loans (Note 10) | 37 | 6 |
| Advances to director (Note 10) | 582 | 458 |
| Factoring accounts receivable, net of ECL | 4,020 | 8,767 |
| Discounts receivable, net of commission | 795 | 320 |
| | <u>\$ 5,894</u> | <u>\$ 9,897</u> |

Factoring accounts receivable bear a monthly interest at 3% of the outstanding accounts receivable balance and are expected to be collected within twelve months of the reporting date. Accrued interest is recorded as discounts receivable and is presented net of 33% commission. Factoring accounts receivable total \$8,537 as at February 28, 2025 (August 31, 2024 - \$11,265) and are presented net of an allowance for expected credit losses of \$4,517 (August 31, 2024 - \$2,498).

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

8. Introducing Broker Agreement

The Company has a Type II introducing arrangement with Laurentian Bank Securities Inc., (the "Carrying Broker" or "Laurentian") for the provision of securities clearing and settlement services and/or cash segregation and safekeeping services for customer accounts. Under the terms of the Introducing Broker Agreement, the Company is required to maintain a prescribed deposit amount in the form of cash or treasury bills at the Carrying Broker. As at February 28, 2025, the Company fulfilled this requirement with \$nil cash (August 31, 2024 - \$nil) and two short-term treasury bills of \$615 and \$504 with maturity dates of March 12, 2025 and March 27, 2025, respectively (August 31, 2024 - \$1,394 with a maturity date of November 21, 2024).

In accordance with the Introducing Broker Agreement, the Company has indemnified the Carrying Broker from any loss, liability, damages, cash or expenses which the Carrying Broker may incur by reason of the failure of the Company or any of the clients to make any payment of money or delivery of securities to the Carrying Broker as and where required. The Company's liability under these arrangements is not quantifiable.

Due (to)/from *Carrying Broker*

As at February 28, 2025, the Company has an amount due from the Carrying Broker of \$521 (August 31, 2024 - \$370) and an amount due to the Carrying Broker of \$2 (August 31, 2024 - \$8).

9. Legal Provision

During the three and six months ended February 28, 2025, the Company recognized a legal provision of \$nil (2024 - \$nil).

As at August 31, 2024, the Company recognised a legal provision of \$175 in connection with an enforcement matter arising from a regulatory review of the Company's trading activities and records (see Note 25).

10. Related Party Transactions

i) Advisor loans

Certain investment advisors have received loans/advances against future commission which are non-interest bearing and due on demand or within the year. As of February 28, 2025, the loans balance receivable classified as current and included in accounts receivable in the unaudited condensed interim consolidated statements of financial position was \$37 (August 31, 2024 - \$6). The loans balance receivable classified as non-current as at February 28, 2025 was \$32 (August 31, 2024 - \$43).

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

10. Related Party Transactions (continued)

ii) Shareholder loan receivable

In 2020, the Company assumed from its former carrying broker, National Bank Independent Network Inc., an unsecured margin loan receivable due from the Company's director and controlling shareholder. The loan carried interest at 2% per annum with principal and accrued interest payable monthly with the final repayment due on August 31, 2028.

On August 1, 2022, according to the Company's director and controlling shareholder's amended employment agreement, the Company advanced to the director and controlling shareholder a loan of \$1,000 which was immediately paid back in reduction of the amount receivable from director and controlling shareholder. The loan is interest-free and is to be repaid by August 1, 2032. In addition, the loan is forgivable over the term of ten years in equal annual instalments of \$100 on August 1 each year, commencing in year 2023, subject to the director and controlling shareholder remaining employed by the Company. In case the employment is terminated for any reason by the Company at any time prior to the loan's maturity, the unforgiven balance of the loan will immediately be forgiven.

As at February 28, 2025, the \$100 (August 31, 2024 - \$100) portion of the \$750 (August 31, 2024 - \$800) loan receivable from shareholder, which is to be forgiven within the next twelve months, is classified as current.

On December 29, 2023, according to the Company's director and controlling shareholder's amended employment agreement, the Company further advanced to the director and controlling shareholder a loan of \$1,890 which was immediately paid back to eliminate the remaining amount receivable from director and controlling shareholder. The loan is interest-free and is to be repaid by December 29, 2033. In addition, the loan is forgivable over the term of ten years in equal annual instalments of \$189 as of December 29 each year, commencing in year 2024, subject to the director and controlling shareholder remaining employed by the Company. In case the employment is terminated for any reason by the Company at any time prior to the loan's maturity, the unforgiven balance of the loan will immediately be forgiven.

As at February 28, 2025, the \$189 (August 31, 2024 - \$189) portion of the \$1,670 (August 31, 2024 - \$1,764) loan receivable from shareholder, which is to be forgiven within the next twelve months, is classified as current.

The loan receivable was advanced at a below market interest rate which resulted in recognition of an employee benefit of \$117. The employee benefit was recorded as part of other compensation and benefits in the consolidated statements of loss and comprehensive loss during the year ended August 31, 2023 and as a reduction of the loan receivable in the consolidated statements of financial position as at August 31, 2023.

During the three and six months ended February 28, 2025, the Company accrued interest of \$nil (2024 - \$8 and \$20, respectively) on the loan receivable.

During the three and six months ended February 28, 2025, the Company recorded a \$72 and \$144 expense related to amortization of the forgivable loan receivable (2024 - \$57 and \$81, respectively), included in other compensation and benefits expenses in the consolidated statements of loss and comprehensive loss.

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

10. Related Party Transactions (continued)

ii) Shareholder loan receivable (continued)

The following tables summarize the movement of the components of the shareholder loan receivable:

| | |
|---|-------------|
| Loan receivable, August 31, 2022 | \$1,890 |
| Employee benefit | (117) |
| Interest income | 97 |
| <hr/> | |
| Loan receivable, August 31, 2023 | 1,870 |
| Interest income | 20 |
| Repayment | (1,890) |
| <hr/> | |
| Loan receivable, August 31 and February 28, 2025 | \$ - |

| | |
|---|----------------|
| Forgivable loan, August 31, 2022 | \$1,000 |
| Amount forgiven | (100) |
| <hr/> | |
| Forgivable loan, August 31, 2023 | 900 |
| Amount advanced | 1,890 |
| Amount forgiven | (226) |
| <hr/> | |
| Forgivable loan, August 31, 2024 | 2,564 |
| Amount forgiven | (144) |
| <hr/> | |
| Forgivable loan, February 28, 2025 | \$2,420 |

Following is the summary of shareholder loan receivable:

| | February 28, 2025 | August 31, 2024 |
|----------------------|------------------------------|--------------------|
| Forgivable loan | \$ 2,420 | \$ 2,564 |
| Less current portion | (289) | (289) |
| Non-current portion | \$ 2,131 | \$ 2,275 |

Hampton Financial Corporation

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(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

10. Related Party Transactions (continued)

iii) Other transactions

- a) The Company leases its office premises from Hampton Capital Corporation and paid lease costs for the three and six months ended February 28, 2025 of \$195 and \$387 (2024 - \$191 and \$379, respectively). Hampton Capital Corporation is owned by the shareholders of Deeb & Company Limited (see Note 1).
- b) Officers and directors, their related companies and employees use the brokerage facilities of the Company on terms equivalent to those that prevail in arm's length transactions.
- c) Included in accounts receivable is an unsecured on-demand loan receivable of \$582 (August 31, 2024 - \$458) from the Company's director and controlling shareholder. The amount represents advances against future commission and is non-interest bearing and due on demand.
- d) Key management personnel compensation comprised:

| For the three months ended February 28 and 29: | 2025 | 2024 |
|--|---------------|--------|
| Short-term benefits | \$ 439 | \$ 382 |
| | \$ 439 | \$ 382 |

| For the six months ended February 28 and 29: | 2025 | 2024 |
|--|---------------|--------|
| Short-term benefits | \$ 972 | \$ 720 |
| | \$ 972 | \$ 720 |

- e) Included in accounts payable is an amount of \$50 (August 31, 2024 - \$53) due to directors, related to compensation.

11. Property, Plant and Equipment

During the year ended August 31, 2024, a vehicle owned by the Company was stolen. The Company had an insurance policy on this vehicle and on February 9, 2024, the insurance company paid \$51 in settlement.

During the three and six months ended February 28, 2025, the Company recorded a \$nil expense related to depreciation of property, plant and equipment (2024 - \$3 and \$3, respectively), which is included in amortization and depreciation expense in the consolidated statements of income (loss) and comprehensive income (loss).

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

12. Loans receivable

The following table summarizes the composition of the Company's loans receivable:

| | 28-Feb-25 | 31-Aug-24 |
|--------------------------------------|-----------------|-----------------|
| Loans receivable | \$ 5,786 | \$ 5,672 |
| Accrued interest | 1,198 | 1,195 |
| Allowance for expected credit losses | (3,624) | (2,327) |
| | \$ 3,360 | \$ 4,540 |

From time to time, OWCC converts long outstanding factoring accounts receivable into loans receivable. Loans receivable bear an average interest rate of 18% per annum and have an average two years terms of repayment.

13. Intangible Asset

The following tables summarize the continuity of intangible asset:

| | Customer Relationships |
|-----------------------------------|------------------------|
| Cost: | |
| Balance, August 31, 2023 | \$ - |
| Acquisition of OWCC | 710 |
| Balance, August 31, 2024 | 710 |
| Balance, February 28, 2025 | 710 |
| Accumulated amortization: | |
| Balance, August 31, 2023 | - |
| Amortization | 296 |
| Balance, August 31, 2024 | 296 |
| Amortization | 355 |
| Balance, February 28, 2025 | 651 |
| Carrying value: | |
| Balance, August 31, 2023 | - |
| Balance, August 31, 2024 | 414 |
| Balance, February 28, 2025 | \$59 |

For the three and six months ended February 28, 2025, amortization expense related to intangible asset amounted to \$177 and \$355 (2024 - \$nil), which is included in amortization and depreciation expense in the consolidated statements of income (loss) and comprehensive income (loss).

As at February 28, 2025, management has not identified any impairment indicators in relation to the intangible asset. Accordingly, no impairment loss related to the intangible asset has been recorded in the consolidated statements of income (loss) and comprehensive income (loss) for the three and six months ended February 28, 2025 (2024 - \$nil).

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14. Goodwill

On April 1, 2024, the Company acquired OWCC. Goodwill was recognized on the acquisition date as the excess of the consideration transferred plus the amount of the non-controlling interest in the acquiree over the fair value of the identifiable assets acquired and the liabilities assumed.

Goodwill is not amortized but is tested for impairment at least annually. The Company has identified OWCC as the CGU to be used in assessing the fair value of its goodwill. In performing a recoverability test for goodwill impairment, management compares the status of the CGU as at the end of the current fiscal year with the status of OWCC when it was acquired. To do so, management examines two metrics, which are the level of accounts receivable and the amount of revenue generated from OWCC.

During the three and six months ended February 28, 2025, the Company did not identify any indicators of impairment, and accordingly, no impairment loss was recognized.

15. Long-term Debt

In December 2021, OWCC secured financing from Kilgour Williams, an investment firm based in Toronto. The loan payable bears an average interest at 13.5% per annum and has no fixed terms of repayment. Interest is payable monthly, and the principal is paid when excess funds become available to OWCC. As at February 28, 2025, the outstanding balance of the loan was \$6,046 (August 31, 2024 - \$12,182) and accrued loan interest of \$63 (August 31, 2024 - \$136) was included in accounts payable and accrued liabilities.

16. Capital Stock

Authorized:

Unlimited number of Subordinate Voting Shares ("SVS"), no par value

Unlimited number of Multiple Voting Shares ("MVS") (with 20:1 SVS voting rights), no par value

Issued and Outstanding:

| | Subordinate Voting Shares | | Multiple Voting Shares | | Capital Stock |
|---|---------------------------|---------------|------------------------|--------------|---------------|
| | Number of shares | \$ | Number of shares | \$ | \$ |
| Balance, August 31, 2023 | 15,910,370 | 9,238 | 15,149,845 | 6,092 | 15,330 |
| Capital stock issued - private placement | 700,000 | 350 | - | - | 350 |
| Capital stock issued, net of issuance cost – acquisition of OWCC (Note 5) | 21,755,071 | 11,093 | - | - | 11,093 |
| Balance, August 31, 2024 | 38,365,441 | 20,681 | 15,149,845 | 6,092 | 26,773 |
| Capital stock issued - private placement | 255,050 | 179 | - | - | 179 |
| Balance, February 28, 2025 | 38,620,491 | 20,860 | 15,149,845 | 6,092 | 26,952 |

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

February 28, 2025 and February 29, 2024

(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

16. Capital Stock (continued)

On February 21, 2025, the Company completed a private placement of 255,050 subordinate voting shares of the Company at the price of \$0.70 per share for aggregate proceeds of \$179. The sole subscriber under the private placement was a director and officer of the Company.

On April 1, 2024, the Company acquired 100% of outstanding common shares of Oxygen Working Capital Corp. in exchange for 21,755,071 subordinate voting shares of the Company, having an aggregate fair market value of \$11,095 (see Note 5). The cost of issuance of subordinate voting shares totaling \$2 has been offset against the value of the issued shares.

On January 31, 2024, the Company completed a private placement of 700,000 subordinate voting shares of the Company at the price of \$0.50 per share for aggregate proceeds of \$350. The sole subscriber under the private placement was Deeb & Company Limited, a corporation controlled by a director and officer of the Company.

17. Stock Options and Warrants

i) Stock Options

The Company has an approved stock option plan to provide officers, directors and consultants of the Company with stock options to acquire up to 10% of the issued and outstanding shares of the Company, exercisable for a period of up to ten (10) years from the date of grant. Under the plan, the option price shall be determined by the Board of Directors when granted. The term and vesting conditions are to be determined by the Board of Directors.

During the three and six months ended February 28, 2025, nil (2024 - nil) options having fair value of \$nil (2024 - \$nil) were cancelled, and fair value of the cancelled options was transferred from options reserve to contributed surplus, accordingly.

On March 9, 2023, the Company granted 400,000 stock options that vested immediately upon grant. The fair value of the options of \$153 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield - 0%, expected volatility - 85.70%, risk-free interest rate - 3.25%, and expected life -10 years.

On November 29, 2024, the Company granted 200,000 stock options that vested immediately upon grant. The fair value of the options of \$69 was estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield - 0%, expected volatility - 86.8%, risk-free interest rate - 3.00%, and expected life -10 years.

For the three and six months ended February 28, 2025, the Company recorded a stock option expense of \$nil and \$69 (2024 - \$nil), included in other compensation and benefits on the consolidated statements of income (loss) and comprehensive income (loss).

As at February 28, 2025, the Company has a stock options reserve of \$1,678 (August 31, 2024 - \$1,609).

Hampton Financial Corporation

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17. Stock Options and Warrants (continued)

i) Stock Options (continued)

A summary of the status of the Company's stock option plan as of February 28, 2025 is presented below:

| | Units | Weighted-Average Exercise Price |
|--|------------------|------------------------------------|
| Outstanding – August 31, 2023 | 1,500,000 | \$ 0.38 |
| Outstanding – August 31, 2024 | 1,500,000 | 0.38 |
| Granted | 200,000 | 0.45 |
| Outstanding – February 28, 2025 | 1,700,000 | 0.39 |
| Exercisable – February 28, 2025 | 1,700,000 | \$ 0.39 |

ii) Warrants

During the three and six months ended February 28, 2025, 587,500 (2024 – nil) warrants expired having fair value of \$2 (2024 - \$nil). Fair value of the expired warrants was transferred from warrants reserve to contributed surplus.

As at February 28, 2025, the company has a warrant reserve of \$251 (August 31, 2024 - \$253).

Below is a summary of the status of warrants to purchase shares of the Company as of February 28, 2025:

| | Units | Weighted-Average Exercise Price |
|--|------------------|------------------------------------|
| Outstanding – August 31, 2023 | 1,249,332 | \$ 0.60 |
| Outstanding – August 31, 2024 | 1,249,332 | 0.60 |
| Expiry | (587,500) | 0.60 |
| Outstanding – February 28, 2025 | 661,832 | 0.60 |
| Exercisable – February 28, 2025 | 661,832 | \$ 0.60 |

Warrants representing non-controlling interests (see Note 5)

On March 31, 2024, prior to the acquisition by the Company, Oxygen Working Capital Corp. ("OWCC") issued 5,438,776 warrants which entitle the warrant holders, upon the exercise thereof, to purchase one common share in the capital of OWCC at the price of \$0.50 per share for a period of 60 months following the date of grant. The warrants may be exercised by the warrant holders on the earlier of the following: 1) upon OWCC completing one or more private placements or public offerings with aggregate gross proceeds of no less than \$5,000 and a per share issue price of no less than \$0.50; and 2) three years from the date of grant. If all of the OWCC's warrants are exercised, the Company will own a fully diluted 80% equity stake in OWCC.

The fair value of the warrants of \$910 was estimated as of the acquisition date using the Black-Scholes option pricing model with the following weighted average assumptions: dividend yield – 10%, expected volatility – 55%, risk-free interest rate – 3.48%, and expected life – 5 years.

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(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

17. Stock Options and Warrants (continued)

ii) Warrants (continued)

Below is a summary of the status of warrants to purchase shares of the Company's wholly-owned subsidiary OWCC as of February 28, 2025:

| | Number of Warrants | Weighted- Average Exercise Price |
|--|-----------------------|--|
| Outstanding – August 31, 2023 | - | \$ - |
| Issued | 5,438,776 | 0.50 |
| Outstanding – August 31, 2024 | 5,438,776 | 0.50 |
| Outstanding – February 28, 2025 | 5,438,776 | 0.50 |
| Exercisable – February 28, 2025 | - | \$ - |

iii) Long Term Incentive Plan Options

As at February 28, 2025, 400,000 options with an estimated fair value of \$14 were outstanding.

During the three and six months ended February 28, 2025, the Company recognized the vested portion of the options amounting to \$nil (2024 - \$nil), as part of other compensation and benefits in the unaudited condensed interim consolidated statements of income (loss) and comprehensive income (loss).

During the three and six months ended February 28, 2025, nil units (2024 – nil) of LTIP having fair value of \$nil (2024 - \$nil) were cancelled or expired.

A summary of the status of the Company's stock options under its long-term incentive plan as of February 28, 2025 is presented below:

| | Units | Weighted-Average Exercise Price |
|--|----------------|------------------------------------|
| Outstanding – August 31, 2024 and February 28, 2025 | 400,000 | \$ 0.20 |
| Exercisable – August 31, 2024 and February 28, 2025 | 400,000 | \$ 0.20 |

As at February 28, 2025, the company had a LTIP reserve of \$32 (August 31, 2024 - \$32).

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18. Debentures

On February 21, 2025, the Company's non-convertible debenture in the aggregate principal amount of \$1,175 was redeemed.

On February 21, 2025, the Company issued \$2,000 of non-convertible debentures. Each non-convertible debenture bears interest at the rate of 10.0% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing March 31, 2025. The debentures mature on December 29, 2025.

The following table summarizes the movement of the non-convertible debenture:

| | |
|-----------------------------------|----------------|
| Balance, August 31, 2023 | \$1,191 |
| Interest accretion | 106 |
| Interest paid | (106) |
| Balance, August 31, 2024 | 1,191 |
| Interest accretion | 55 |
| Interest paid | (50) |
| Debenture redemption | (1,175) |
| Debenture issuance | 2,000 |
| Balance, February 28, 2025 | \$2,021 |

On September 6 and September 7, 2022, the Company issued a total of \$1,142 of unsecured convertible debentures. Each debenture bears interest at the rate of 9.0% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing September 30, 2022. The whole, or any part, of the principal amount of the debenture is convertible into subordinate voting shares of the Company, at the option of the holder thereof, at any time prior to September 7, 2027, at a conversion price of \$0.60 per share. As the conversion feature results in a fixed number of shares and fixed exercise price, it satisfies the fixed-for-fixed criteria of IAS 32. Consequently, the fair value of the liability component was determined at initial recognition as \$1,142 first using a market interest rate of 9% with the residual value of \$nil allocated to the equity component. The liability component was subsequently measured at amortized cost. As of February 28, 2025, the total amortized cost of the debt was \$1,111 (August 31, 2024 - \$1,097). The debenture issuance cost incurred is comprised of cash commission of 5% of the gross proceeds and 116,666 warrants issued by the Company (see Note 17).

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18. Debentures (continued)

On November 7, 2022, the Company issued \$2,636 of unsecured convertible debentures. Each debenture bears interest at the rate of 9.0% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing December 31, 2022. The whole, or any part, of the principal amount of the debenture is convertible into subordinate voting shares of the Company, at the option of the holder thereof, at any time prior to November 7, 2027, at a conversion price of \$0.60 per share. As the conversion feature results in a fixed number of shares and fixed exercise price, it satisfies the fixed-for-fixed criteria of IAS 32. Consequently, the fair value of the liability component was determined at initial recognition as \$2,636 first using a market interest rate of 9% with the residual value of \$nil allocated to the equity component. The liability component was subsequently measured at amortized cost. As of February 28, 2025, the total amortized cost of the debt was \$2,549 (August 31, 2024 - \$2,527). The debenture issuance cost incurred is comprised of cash commission of 5% of the gross proceeds and 219,667 warrants issued by the Company (see Note 17).

On November 30, 2022, the Company issued \$385 of unsecured convertible debentures. Each debenture bears interest at the rate of 9.0% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing December 31, 2022. The whole, or any part, of the principal amount of the debenture is convertible into subordinate voting shares of the Company, at the option of the holder thereof, at any time prior to November 30, 2027, at a conversion price of \$0.60 per share. As the conversion feature results in a fixed number of shares and fixed exercise price, it satisfies the fixed-for-fixed criteria of IAS 32. Consequently, the fair value of the liability component was determined at initial recognition as \$385 first using a market interest rate of 9% with the residual value of \$nil allocated to the equity component. The liability component was subsequently measured at amortized cost. As of February 28, 2025, the total amortized cost of the debt was \$365 (August 31, 2024 - \$364). The debenture issuance cost incurred is comprised of cash commission of 5% of the gross proceeds and 32,083 warrants issued by the Company (see Note 17).

On February 27, 2024, the Company issued \$1,000 of unsecured convertible debentures. Debenture bears interest at the rate of 12.0% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing March 31, 2024. The Company has the option, at any time after the date that is six months following the date of issue of this debenture, to prepay in full the principal amount of the debenture together with accrued and unpaid interest to the redemption date. The prepayment option constitutes an embedded derivative with the economic characteristics closely related to the economic characteristics of the host debenture contract. Consequently, the combined debenture is accounted for as a single instrument, according to IAS 39. The whole, or any part, of the principal amount of the debenture is convertible into subordinate voting shares of the Company, at the option of the holder thereof, at any time prior to February 28, 2029, at a conversion price of \$0.60 per share. As the conversion feature results in a fixed number of shares and fixed exercise price, it satisfies the fixed-for-fixed criteria of IAS 32. Consequently, the fair value of the liability component was determined at initial recognition as \$884 first using a market interest rate of 15.3% with the residual value of \$116 allocated to the equity component. The liability component was subsequently measured at amortized cost. As of February 28, 2025, the total amortized cost of the debt was \$905 (August 31, 2024 - \$905).

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18. Debentures (continued)

On September 27, 2024, the Company issued \$500 of unsecured convertible debentures. Debenture bears interest at the rate of 11.0% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing December 31, 2024. The Company has the option, at any time after the date that is twelve months following the date of issue of this debenture, to prepay in full or in part the principal amount of the debenture together with accrued and unpaid interest to the redemption date. The prepayment option constitutes an embedded derivative with the economic characteristics closely related to the economic characteristics of the host debenture contract. Consequently, the combined debenture is accounted for as a single instrument, according to IAS 39. The whole, or any part, of the principal amount of the debenture is convertible into common shares of OWCC, at the option of the holder thereof, at any time prior to September 28, 2029, and following the successful completion of a go-public transaction by OWCC at a conversion price of \$0.50 per share. As the conversion feature results in a fixed number of shares and fixed exercise price, it satisfies the fixed-for-fixed criteria of IAS 32. Consequently, the fair value of the liability component was determined at initial recognition as \$500 first using a market interest rate of 11% with the residual value of \$nil allocated to the equity component. The liability component was subsequently measured at amortized cost. As of February 28, 2025, the total amortized cost of the debt was \$496 (August 31, 2024 - \$nil). The debenture issuance cost incurred is comprised of cash commission of \$15.

On October 29, 2024, the Company issued \$300 of unsecured convertible debentures. Debenture bears interest at the rate of 10.0% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing December 31, 2024. The Company has the option, at any time after the date that is twelve months following the date of issue of this debenture, to prepay in full or in part the principal amount of the debenture together with accrued and unpaid interest to the redemption date. The prepayment option constitutes an embedded derivative with the economic characteristics closely related to the economic characteristics of the host debenture contract. Consequently, the combined debenture is accounted for as a single instrument, according to IAS 39. The whole, or any part, of the principal amount of the debenture is convertible into common shares of OWCC, at the option of the holder thereof, at any time prior to October 30, 2029, and following the successful completion of a go-public transaction by OWCC at a conversion price of \$0.50 per share. As the conversion feature results in a fixed number of shares and fixed exercise price, it satisfies the fixed-for-fixed criteria of IAS 32. Consequently, the fair value of the liability component was determined at initial recognition as \$294 first using a market interest rate of 10.5% with the residual value of \$6 allocated to the equity component. The liability component was subsequently measured at amortized cost. As of February 28, 2025, the total amortized cost of the debt was \$285 (August 31, 2024 - \$nil). The debenture issuance cost incurred is comprised of cash commission of \$15.

On February 21, 2025, one of the Company's unsecured convertible debentures in the aggregate principal amount of \$1,000 was redeemed. Upon debenture's redemption, \$38 fair value of its equity component was transferred from convertible debenture reserve to contributed surplus.

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18. Debentures (continued)

The following table summarizes the movement of the convertible debentures:

| | Convertible debentures issued April 9, 2020 | Convertible debentures issued May 21, 2020 | Convertible debentures issued June 30, 2022 | Convertible debentures issued July 29, 2022 | Convertible debentures issued September 6 and 7, 2022 | Convertible debentures issued November 7, 2022 |
|-----------------------------------|---|--|---|---|---|--|
| Balance, August 31, 2023 | \$ 982 | \$ 982 | \$ 2,180 | \$ 1,172 | \$ 1,064 | \$ 2,487 |
| Gross proceeds | - | - | - | - | - | - |
| Equity component | - | - | - | - | - | - |
| Interest accretion | 90 | 90 | 244 | 132 | 136 | 278 |
| Interest paid | (90) | (90) | (206) | (111) | (103) | (238) |
| Balance, August 31, 2024 | 982 | 982 | 2,218 | 1,193 | 1,097 | 2,527 |
| Gross proceeds | - | - | - | - | - | - |
| Issuance cost | - | - | - | - | - | - |
| Equity component | - | - | - | - | - | - |
| Redemption | (1,000) | - | - | - | - | - |
| Interest accretion | 77 | 44 | 121 | 65 | 66 | 141 |
| Interest paid | (46) | (45) | (103) | (56) | (52) | (119) |
| Balance, February 28, 2025 | \$ 13 | \$ 981 | \$ 2,236 | \$ 1,202 | \$ 1,111 | \$ 2,549 |

| | Convertible debentures issued November 30, 2022 | Convertible debentures issued February 27, 2024 | Convertible debentures issued September 27, 2024 | Convertible debentures issued October 29, 2024 | Total |
|-----------------------------------|---|---|--|--|------------------|
| Balance, August 31, 2023 | \$ 360 | \$ - | \$ - | \$ - | \$ 9,227 |
| Gross proceeds | - | 1,000 | - | - | 1,000 |
| Equity component | - | (116) | - | - | (116) |
| Interest accretion | 39 | 61 | - | - | 1,070 |
| Interest paid | (35) | (40) | - | - | (913) |
| Balance, August 31, 2024 | 364 | 905 | - | - | 10,268 |
| Gross proceeds | - | - | 500 | 300 | 800 |
| Issuance cost | - | - | (15) | (15) | (30) |
| Equity component | - | - | - | (6) | (6) |
| Redemption | - | - | - | - | (1,000) |
| Interest accretion | 19 | 60 | 25 | 11 | 629 |
| Interest paid | (18) | (60) | (14) | (5) | (518) |
| Balance, February 28, 2025 | \$ 365 | \$ 905 | \$ 496 | \$ 285 | \$ 10,143 |

Hampton Financial Corporation

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(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

18. Debentures (continued)

The following table summarizes the balances of debentures:

| | February 28, 2025 | August 31, 2024 |
|---------------------------|-------------------|-----------------|
| Non-convertible debenture | \$2,021 | \$1,191 |
| Convertible debenture | 10,143 | 10,268 |
| Total | 12,164 | 11,459 |
| Less current portion | (3,000) | (2,000) |
| Non-current portion | \$9,164 | \$9,459 |

19. Loss per Share

The loss per share for the three and six months ended February 28, 2025, basic of \$(0.02) and \$(0.04) and diluted of \$(0.02) and \$(0.03) (2024 – basic of \$(0.02) and \$(0.04) and diluted of \$(0.01) and \$(0.02), respectively), has been calculated using the basic and diluted weighted-average number of shares outstanding for the three- and six- months periods ended February 28, 2025, which was 53,532,676 and 53,523,835 (basic), and 70,872,676, and 70,863,835 (diluted) (2024 – 31,288,305 and 31,172,993 (basic) and 50,994,972 and 50,879,659 (diluted)).

The determination of the weighted-average number of shares outstanding for the calculation of diluted loss per share for the three and six months ended February 28, 2025 and February 29, 2024 excludes the following as these are anti-dilutive in nature:

| | Three months ended 28-Feb-25 | Three months ended 29-Feb-24 | Six months ended 28-Feb-25 | Six months ended 29-Feb-24 |
|---------------|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Stock options | 900,000 | - | 900,000 | - |
| Warrants | 2,328,499 | 2,915,999 | 2,328,499 | 2,915,999 |
| Total | 3,228,499 | 2,915,999 | 3,228,499 | 2,915,999 |

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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(expressed in thousands of Canadian dollars except for share and per share amounts unless otherwise noted)

19. Loss per Share (continued)

A reconciliation of basic and diluted weighted average number of shares for the three and six months ended February 28, 2025 and February 29, 2024 is as follows:

| | Three months ended 28-Feb-25 | Three months ended 29-Feb-24 | Six months ended 28-Feb-25 | Six months ended 29-Feb-24 |
|---|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Basic weighted number of shares | 53,532,676 | 31,288,305 | 53,523,835 | 31,172,993 |
| Shares to be issued on conversion of convertible debentures | 16,140,000 | 17,806,667 | 16,140,000 | 17,806,667 |
| Shares to be issued for stock options | 1,200,000 | 1,900,000 | 1,200,000 | 1,900,000 |
| Diluted weighted average number of shares | 70,872,676 | 50,994,972 | 70,863,835 | 50,879,659 |

20. Income Taxes

The reconciliation of the combined Canadian federal and provincial statutory income tax rate of 26.5% (2024 – 26.5%) to the effective tax rate for the comparative three- and six-months periods is as follows:

| | Three months ended February 28, 2025 | Three months ended February 29, 2024 |
|--|---|---|
| Loss before income taxes | \$ (1,409) | \$ (753) |
| Expected tax (recovery) at statutory rates | (373) | (200) |
| Non-deductible expenses | 75 | 7 |
| Change in tax benefits not recognized | 201 | 191 |
| Income tax expense (recovery) | \$ (97) | \$ (2) |

Hampton Financial Corporation
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20. Income Taxes (continued)

| | Six months ended February 28, 2025 | Six months ended February 29, 2024 |
|---------------------------------------|---|---|
| Loss before income taxes | \$(2,091) | \$(1,322) |
| Expected income tax recovery | (554) | (351) |
| Non-deductible expenses | 92 | 17 |
| Change in tax benefits not recognized | 482 | 326 |
| Income tax expense (recovery) | <u>\$ 20</u> | <u>\$ (8)</u> |

The Company's income tax expense (recovery) is allocated as follows:

| | Three months ended 28-Feb-25 | Three months ended 29-Feb-24 | Six months ended 28-Feb-25 | Six months ended 29-Feb-24 |
|---------------------------------|---------------------------------------|---------------------------------------|-------------------------------------|-------------------------------------|
| Current tax expense (recovery) | \$ - | \$ - | \$ - | \$ - |
| Deferred tax expense (recovery) | (97) | (2) | 20 | (8) |
| | <u>\$ (97)</u> | <u>\$ (2)</u> | <u>\$ 20</u> | <u>\$ (8)</u> |

Deferred Tax

The following table summarizes the components of deferred tax:

| | February 28, 2025 | August 31, 2024 |
|--------------------------------------|-------------------|-----------------|
| Property, plant and equipment | \$ 12 | \$ 12 |
| Capital lease asset and liability | 117 | 117 |
| Reserves | 77 | 77 |
| Operating tax losses carried forward | 1,083 | 1,103 |
| Convertible debentures | (27) | (27) |
| Subtotal of Assets | <u>\$ 1,262</u> | <u>\$ 1,282</u> |

Deferred tax assets and liabilities have been offset where they relate to income taxes levied by the same taxation authority and the Company has the legal right and intent to offset.

Hampton Financial Corporation

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20. Income Taxes (continued)

The following table summarizes movement in net deferred tax assets as at February 28, 2025 and February 29, 2024:

| | 2025 | 2024 |
|--|----------|--------|
| Balance at the beginning of the period | \$ 1,282 | \$ 307 |
| Recognized in profit/loss | 20 | 8 |
| Balance at the end of the period | \$ 1,262 | \$ 315 |

On April 1, 2024, the Company acquired OWCC (see Note 5). As of the acquisition date, OWCC had operating tax loss carry forwards of approximately \$3,600 and recognized a deferred tax asset of \$954.

The Company has Canadian non-capital tax losses totaling approximately \$18,530 which expire between 2029 and 2044. The U.S. operating tax losses can be carried forward indefinitely. The capital loss carry forward may be carried forward indefinitely but can only be used to reduce capital gains. Issuance costs will be fully amortized by 2027. The remaining deductible temporary differences may be carried forward indefinitely. Deferred tax assets have not been recognized in respect of these items because it is not probable that future taxable profit will be available against which the group can utilize the benefits therefrom.

21. Leases

The Company leases its office space under a lease agreement ending October 31, 2031, which has been capitalized using a discount rate of 9% per annum. The following is a continuity of activity in leases during the six months ended February 28, 2025 and February 29, 2024.

Right of use assets – As of February 28, 2025 and February 29, 2024, the Company's lease assets consisted of the following:

| | 2025 | 2024 |
|----------------------------|----------|----------|
| Cost: | | |
| Balance, August 31 | \$ 1,853 | \$ 1,853 |
| Balance, February 28 (29) | 1,853 | 1,853 |
| Accumulative Depreciation: | | |
| Balance, August 31 | 762 | 610 |
| Depreciation | 76 | 76 |
| Balance, February 28 (29) | 838 | 686 |
| Carrying amount: | | |
| Balance, February 28 (29) | \$ 1,015 | \$ 1,167 |

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21. Leases (continued)

Lease Liabilities - As of February 28, 2025 and February 29, 2024, the Company's lease liabilities consisted of the following:

| | 2025 | 2024 |
|---------------------------|----------|----------|
| Lease liability: | | |
| Balance, August 31 | \$ 1,531 | \$ 1,675 |
| Lease payments | (144) | (144) |
| Interest expense | 67 | 74 |
| Balance, February 28 (29) | 1,454 | 1,605 |
| Less current portion | (165) | (151) |
| Non-current portion | \$ 1,289 | \$ 1,454 |

Below is a summary of the maturity of the lease liability:

| | |
|------------------|----------|
| Less than 1 year | \$ 165 |
| 1 to 3 years | 378 |
| 3 to 5 years | 452 |
| Beyond 5 years | 459 |
| | \$ 1,454 |

22. Financial Instruments and Risk Management

The Company has exposure to the following risks from financial instruments:

- Credit risk
- Settlement risk
- Liquidity risk
- Market risk
- Concentration risk
- Currency risk

This note presents information about the Company's exposure to each of the above risks, and the Company's objectives, policies and processes for measuring and managing risks. Further quantitative disclosures are included throughout these consolidated financial statements.

Hampton Financial Corporation

Notes to the Unaudited Condensed Interim Consolidated Financial Statements

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22. Financial Instruments and Risk Management (continued)

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk arises from cash, securities owned, accounts receivable, loans receivable, advisor loans, other receivables, due from carrying broker, and due from brokers and dealers trading balances. The shareholder loan receivable is considered to be performing and collectible through future trading activity. The maximum exposure of the Company to credit risk before taking into account any collateral held or other credit enhancements is the carrying amount of the financial assets.

Two primary sources of credit risk for the Company are in connection with trading activity by private clients and private client margin accounts as well as with the portfolio of factoring accounts and loans receivable. To minimize its exposure in connection with trading activity, the Company applies certain credit standards, applies limits to transactions and requires settlement of securities transactions on a cash basis or delivery against payment. To minimize its exposure in connection with factoring activity and loans receivable, the Company implements various risk management strategies, such as due diligence, assessing debtor creditworthiness and invoice legitimacy and collateral checks, as well as debtor credit monitoring and risk distribution.

Margin transactions are collateralized by securities in the client's accounts in accordance with limits established by the applicable regulatory authorities and are subject to the Company's credit review and monitoring procedures. Accounts and loans receivable are collateralized by GSAs, personal guarantees and debtor's assets that include equipment and real estate and are subject to the Company's credit review and monitoring procedures.

The Company faces a risk of financial loss in the event a client fails to meet a margin call if market prices for the securities held as collateral decline and if the Company is unable to recover sufficient value from the collateral held. In addition, the Company faces a risk of financial loss in the event of non-performing factoring accounts and loans receivable due to debtor insolvency or disputes and if the Company is unable to recover sufficient value from the collateral held. Management and the Carrying Broker monitor the collectability of receivables and estimates an allowance for ECL. It is the Company's policy to provide an allowance against all unsecured accounts. Accounts and loans receivable are presented net of allowance for ECL that was recorded in the reporting periods preceding the acquisition of OWCC (see Note 5) and the first post-acquisition period ended August 31, 2024. In addition, during the three and six months ended February 28, 2025, ECL allowance of \$492 and \$2,019, was recorded in connection with factoring accounts receivable (2024 – \$nil) and ECL allowance of \$1,297 and \$1,297 was recorded in connection with loans receivable (2024 – \$nil). The resulting allowance for ECL includes \$4,517 allowance for ECL related to accounts receivable and \$3,624 allowance related to loans receivable (August 31, 2024 - \$2,498 and \$2,327, respectively).

Credit risk is managed in a number of ways. Management applies certain credit standards, conducts ongoing financial reviews with respect to clients and monitors credit exposure to individual counterparties on an ongoing basis. In addition, the Company reviews security and loan concentrations. During the three and six months ended February 28, 2025, and historically, the Company has not incurred any material loss from a client or counterparty default.

The maximum credit risk relating to client and broker receivables as well as accounts and loans receivable, without consideration of collateral, is represented by the carrying value on the consolidated statements of financial position as at February 28, 2025. The Company considers its credit risk to be medium-to-low.

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22. Financial Instruments and Risk Management (continued)

Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of an entity to honor its obligations to deliver cash, securities or other assets as contractually agreed.

For certain types of transactions, the Company mitigates this risk by conducting settlements through a settlement/clearing agent to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations. Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals.

Liquidity risk

Liquidity risk is the possibility that assets of the Company cannot be readily converted into cash when required. Liquidity risk is partially managed by investing the majority of the Company's assets in investments that can be readily disposed of. While the Company aims to retain sufficient cash and securities owned positions to maintain liquidity, since the majority of the liabilities of the Company are due within a short period of the consolidated financial statement date, the Company may rely on subordinated loans from related parties to manage liquidity risk.

The Company's payments on its debt obligations as at February 28, 2025 are due as follows:

| | Total | Less than 1 year | 1-3 years | After 3 years |
|--|-----------------|-------------------------|------------------|----------------------|
| Accounts payable and accrued liabilities | \$ 1,876 | \$1,876 | \$ - | \$ - |
| Legal provision | 175 | 175 | - | - |
| Due to carrying broker | 2 | 2 | - | - |
| Brokers and dealers trading balances | 51 | 51 | - | - |
| Long-term debt | 8,494 | 816 | 1,632 | 6,046 |
| Debentures | 15,282 | 4,083 | 9,142 | 2,057 |
| Lease liability | 1,920 | 288 | 576 | 1,056 |
| Total | \$27,800 | \$7,291 | \$11,350 | \$9,159 |

Hampton Financial Corporation

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22. Financial Instruments and Risk Management (continued)

The Company's payments on its debt obligations as at August 31, 2024 were due as follows:

| | Total | Less than 1 year | 1-3 years | After 3 years |
|--|-----------------|-------------------------|------------------|----------------------|
| Accounts payable and accrued liabilities | \$ 1,301 | \$1,301 | \$ - | \$ - |
| Legal provision | 175 | 175 | - | - |
| Due to carrying broker | 8 | 8 | - | - |
| Brokers and dealers trading balances | 29 | 29 | - | - |
| Long-term debt | 17,117 | 1,645 | 3,290 | 12,182 |
| Debentures | 14,650 | 4,156 | 5,098 | 5,396 |
| Lease liability | 2,064 | 288 | 576 | 1,200 |
| Total | \$35,344 | \$7,602 | \$8,964 | \$18,778 |

Market risk

Market risk refers to the risk that a change in the level of one or more market prices, interest rates, indices, volatilities, correlations or other market factors, such as liquidity, will result in losses. Market risk is managed through implicit hedging strategies that correlate price movements of trading positions with the related securities owned and securities held short. As at February 28, 2025, based on a 1% change in the fair value of the Company's securities owned, there would be an increase or decrease of \$13 in profit or loss (August 31, 2024 - \$10).

The Company is subject to minimal interest rate risk.

Concentration risk

The Company is subject to concentration risk by holding large positions in certain types of securities or commitments to purchase securities of a single issuer, issuers located in a particular country or geographic area, public and private issuers. The Company seeks to limit concentration risk through the use of the systems and procedures described in the preceding discussions of market and credit risk. The most significant concentration risk is with domestic financial institutions. Financial institutions include commercial banks and brokers and dealers.

Currency risk

The Company is exposed to currency risk relating to transactions and assets denominated in foreign currency. Presently the Company does not use derivative instruments to hedge its foreign currency exposure.

A 5% appreciation (or depreciation) of the Canadian dollar in relation to all foreign currencies, with all other factors remaining constant, would have a trivial impact on profit or loss for the three- and six-month periods ended February 28, 2025 and February 29, 2024.

Hampton Financial Corporation

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22. Financial Instruments and Risk Management (continued)

Fair value classification

IFRS 7, *Financial Instruments: Disclosures*, require an entity to classify its financial assets and liabilities held at fair value according to a hierarchy that reflects the significance of observable market inputs. The classification of these instruments is based on the lowest level input that is significant to the fair value measurement in its entirety. The three levels of the fair value hierarchy are defined below.

Quoted Market Prices - Level 1

The Company's holding in publicly traded securities represents its Level 1 financial asset.

Valuation Technique Using Observable Inputs - Level 2

The Company holds broker warrants in publicly listed entities which are fair valued using an option pricing model (Black Scholes Model) and observable market inputs such as stock prices, dividends, volatilities and bond yields. These warrants represent the only level 2 financial assets held by the Company.

Valuation Technique Using Significant Unobservable Inputs - Level 3

Within its securities owned, the Company holds debt and equity securities, and broker warrants in private entities. Fair value of private securities is determined by the use of recent arm-length transactions. Alternatively, when no such transactions are available, the Company determines the fair value by valuation techniques that make maximum use of inputs observed from markets, such as a multiple of earnings derived from a set of publicly traded comparable companies. The inputs into the determination of fair value for the private broker warrants require significant management judgment or estimation. An option pricing model (Black Scholes Model) is used to determine the fair value of these warrants based on unobservable inputs such as stock prices and expected volatility.

The following tables outline the Company's financial assets as at February 28, 2025 and August 31, 2024 as they are classified within the fair value hierarchy:

| | Level 1 | Level 2 | Level 3 | Total |
|-------------------------------|--------------|---------------|---------------|-----------------|
| February 28, 2025 | | | | |
| FVTPL | | | | |
| Securities owned ¹ | \$ 3 | \$ 534 | \$ 795 | \$ 1,332 |
| | \$ 3 | \$ 534 | \$ 795 | \$ 1,332 |
| | | | | |
| August 31, 2024 | | | | |
| FVTPL | | | | |
| Securities owned ¹ | \$ 12 | \$ 138 | \$ 889 | \$ 1,039 |
| | \$ 12 | \$ 138 | \$ 889 | \$ 1,039 |

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22. Financial Instruments and Risk Management (continued)

¹Securities owned include shares, debt securities and warrants to acquire equities in both public and private companies. Given the nature of the inputs used to value these securities, they have been classified as Level 1, 2 and 3 respectively for fair value risk purposes.

Market values for broker warrants are based on a Black-Scholes option pricing model using the quoted closing bid price of the underlying security as at February 28, 2025 and August 31, 2024, historical volatility, and the Government of Canada bond yields for equivalent maturity dates or cost, where cost represents the best estimate available. The following assumptions were used for valuation as at February 28, 2025: dividend yield – 0% (August 31, 2024 – 0%), expected volatility – 54% to 594% (August 31, 2024 – 64% to 259%), risk-free interest rate – 2.5% to 2.8% (August 31, 2024 – 2.9% to 4.1%), and expected life – less than one to over three and a half years (August 31, 2024 – less than one to four and a half years).

Private company warrants are valued using the Black-Scholes option pricing model based on the current share prices and the following weighted average assumptions: dividend yield – 0% (August 31, 2024 – 0%), expected volatility – 29% to 54% (August 31, 2024 – 12% to 93%), risk-free interest rate – 2.5% to 2.8% (August 31, 2024 – 3.0% to 4.1%), and expected life – less than one to over two years (August 31, 2024 – less than one to three years).

Prices are determined based on the last trade price or offer price and if these prices are considered stale, the Company obtains information based on certain inquiries and pending new deals. The fair value measurements determined as described above may not be indicative of net realizable value or reflective of future values. Furthermore, the Company believes its valuation methods are appropriate and consistent with those which would be utilized by a market participant.

The Company holds Level 3 securities in which there is uncertainty in estimating the fair value. Level 3 securities require judgment in reviewing unobservable inputs determining fair value. As at February 28, 2025, the Company has investments of \$357 in Level 3 securities (August 31, 2024 - \$379) and \$438 in Level 3 private company warrants (August 31, 2024 - \$510).

23. Segmented Information

The Company operates in two business segments: investment advisory and brokerage services, and commercial factoring business.

The accounting policies of the operating segments are the same as those described in the material accounting policy summary. The Company evaluates performance of the operating segments on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses. The Company's reportable segments are strategic business units that offer different services. They are managed separately because each business requires different technology and marketing strategies.

Almost all of the Company's assets related to both segments are located in Canada.

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23. Segmented Information (continued)

Segment information for the three months ended February 28, 2025 is as follows:

| | Investment advisory and brokerage | Commercial factoring | Total |
|--|--|-----------------------------|----------------|
| | \$ | \$ | \$ |
| Revenues from external customers | 2,418 | 436 | 2,854 |
| Intersegment revenues | - | - | - |
| Segment revenues | 2,418 | 436 | 2,854 |
| | | | - |
| General and administrative | 1,176 | 29 | 1,205 |
| Commission and other variable compensation | 818 | (94) | 724 |
| Other compensation and benefits | 704 | 102 | 806 |
| Interest | 380 | 123 | 503 |
| Provision for bad debts | - | 641 | 641 |
| Other expenses | 168 | - | 168 |
| Amortization and depreciation | 216 | - | 216 |
| Segment operating loss | (1,044) | (365) | (1,409) |

Segment information for the six months ended and as at February 28, 2025 is as follows:

| | Investment advisory and brokerage | Commercial factoring | Total |
|--|--|-----------------------------|----------------|
| | \$ | \$ | \$ |
| Revenues from external customers | 4,280 | 1,706 | 5,986 |
| Intersegment revenues | - | - | - |
| Segment revenues | 4,280 | 1,706 | 5,986 |
| | | | - |
| General and administrative | 2,144 | 222 | 2,366 |
| Commission and other variable compensation | 1,431 | 239 | 1,670 |
| Other compensation and benefits | 1,429 | 200 | 1,629 |
| Interest | 707 | 502 | 1,209 |
| Provision for bad debts | - | 431 | 431 |
| Other expenses | 340 | - | 340 |
| Amortization and depreciation | 432 | - | 432 |
| Segment operating loss | (2,203) | 112 | (2,091) |
| Segment assets | 20,169 | 10,348 | 30,517 |
| Segment liabilities | 16,584 | 6,109 | 22,693 |

Hampton Financial Corporation

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23. Segmented Information (continued)

Reconciliation of operating segments revenues and losses for the three months ended February 28, 2025 is as follows:

| | |
|---|-------------------|
| Revenues | |
| Total reportable segment revenues | \$ 2,854 |
| Company revenues | 2,854 |
| Loss | |
| Total reportable segment operating loss | (1,409) |
| Company operating loss | \$ (1,409) |

Reconciliation of operating segments revenues, losses, assets and liabilities for the six months ended and as at February 28, 2025 is as follows:

| | |
|---|------------------|
| Revenues | |
| Total reportable segment revenues | \$ 5,986 |
| Company revenues | 5,986 |
| Loss | |
| Total reportable segment operating loss | (2,901) |
| Company operating loss | (2,901) |
| Assets | |
| Total assets for reportable segments | 30,517 |
| Consolidation | (4,250) |
| Company assets | 26,267 |
| Liabilities | |
| Total liabilities for reportable segments | 22,693 |
| Consolidation | (925) |
| Company liabilities | \$ 21,768 |

During the three and six months ended February 29, 2024 and prior to it, the Company operated in only one business segment, namely investment advisory and brokerage services.

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24. Capital Management

The Company's objectives in managing capital are to maintain a capital structure that allows the Company to meet its growth strategies and build long-term shareholder value, while satisfying its financial objectives.

The Company's capital is comprised of capital stock, long-term debt and debentures. The Company's senior management is responsible for the management of capital. The Company's Board of Directors is responsible for reviewing and approving the Company's capital policy and management.

The Company's principal operating subsidiary is subject to minimum regulatory capital requirements whereby sufficient cash and other liquid assets must be on hand to maintain capital requirements rather than using them in connection with its business. Failure to maintain required regulatory capital may result in fines, suspension or revocation of registration by the relevant securities regulator. As at and for the three and six months ended February 28, 2025 and February 29, 2024 the Company was in compliance with its minimum regulatory capital requirements.

25. Contingencies

In the ordinary course of business, the Company and its subsidiaries are involved in lawsuits, including wrongful dismissal, breach of contract, negligence and commercial matters. The Company, and its subsidiaries, are also subject to claims and proceedings arising in the ordinary course of business, which as of year-end, have not resulted in the commencement of legal actions. The effect of claims on the Company's financial position cannot always be determined by management. However, when such losses are considered probable and can reliably be estimated by management, the Company records a provision.

A subsidiary of the Company is subject to certain rules, regulations, and other regulatory requirements specific to the broker-dealer business and as such, is regulated by certain agencies and organizations. As a regulated entity and in the normal course of operations, the Company is subject to periodic reviews and examinations by regulatory authorities. If a regulatory authority determines that there was a failure by the Company to follow or comply with certain procedures or regulatory requirements or there is a deficiency in the Company's records or reports or some other compliance or financial failure, the regulatory authority may impose a fine, penalty or other sanction. If such circumstances arise, the Company records a provision for any matter where a payment is considered probable and can be reliably estimated.

In connection with this regulatory oversight, the Company's CEO, director and controlling shareholder and the Company are involved in an enforcement matter arising from a regulatory review of the Company's trading activities and records. The outcome of this matter is subject to future resolution and encompasses uncertainties relating to the amount and timing of any outflow as well as the possibility of any reimbursement. Although the outcome of any legal proceedings cannot be predicted with certainty and the Company may incur a significant penalty and additional costs related to its business or become subject to other terms and conditions that may adversely impact its business, management currently estimates the total fines and penalties in connection with the matter at \$175. At present, it is unknown the potential amount of these fines, penalties, or other costs that will be incurred by the Company and the amounts that will be charged directly to the registered representative.

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25. Contingencies (continued)

Management evaluated the matter and is of the view that as of August 31, 2024, the Company had a present obligation as a result of this past event for which it is possible that an outflow of resources will be required to settle the obligation. Accordingly, a legal provision of \$175 was recorded as of August 31, 2024. Management has further evaluated the matter as of February 28, 2025 and is of the view that no further provision is required at this time, in addition to the provision that was recorded as of August 31, 2024.

26. Subsequent Events

On March 28, 2025, The Company issued a total of \$1,267 of non-convertible debentures. Debentures bear interest at the rate of 10.5% per annum payable quarterly in arrears on the last day of March, June, September and December in each year, commencing June 30, 2025. The debentures mature on March 29, 2030.